

Message Text

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PAGE 01 TOKYO 11311 210942Z

ACTION STR-07

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AID-05 SS-15 ITC-01 TRSE-00 ICA-20 SP-02 SOE-02
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SUBJ: RICE PRICE DELIBERATION COUNCIL DISCUSSES

- RICE SURPLUS

1. SUMMARY: IN RICE PRICE DELIBERATION COUNCIL MEETING
JUNE 20, FOOD AGENCY DIRECTOR GENERAL NOTED THAT RICE
STOCKS NOW EXPECTED TO REACH 5.3 MILLION MT (BROWN BASIS)
THIS YEAR AND SAID SPECIAL DUDGET ALLOCATION WAS UNDER
CONSIDERATION TO DISPOSE OF 3.3 TO 5.3 MILLION MT OVER
THREE YEARS AT COST OF 1 TO 2 TRILLION YEN. IF IMPLE-
MENTED, PLAN WOULD IMPACT U.S. FEEDGRAIN EXPORTS AND
POSSIBLY PL 480 RICE SALES TO THIRD COUNTRIES.

2. RICE PRICE DELIBERATION COUNCIL BEGAN ITS MEETINGS
JUNE 19. PARTICIPANTS AGREED TO DISCUSS QUESTION OF RICE
SURPLUS BEFORE ADDRESSING RICE PRICES. ACCORDING TO
MORNING PAPERS JUNE 21, FOOD AGENCY DIRECTOR GENERAL
SAWABE SAID IN SESSION ON JUNE 20 THAT SPECIAL BUDGET
ALLOCATION WAS UNDER CONSIDERATION TO DISPOSE OF SURPLUS.
THIS WOULD BE REPEAT OF 1971 SPECIAL BUDGET ALLOCATION
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UNCLASSIFIED

PAGE 02 TOKYO 11311 210942Z

WHICH DISPOSED OF ABOUT 3.5 MILLION MT OVER THREE YEARS
FOR FEED. NO DECISIONS ON SUCH A PROGRAM ARE EXPECTED
UNTIL NEXT FALL.

3. DESPITE MORE THAN 100 PERCENT EFFECTIVENESS OF CURRENT
SET ASIDE PROGRAM, COMBINATION OF 1977 CROP 1 MILLION MT
HIGHER THAN ORIGINALLY EXPECTED PLUS 600,000 MT DECLINE

IN UTILIZATION HAVE CAUSED MAF TO REVISE ESTIMATE OF THIS YEAR UPWARD TO 5.3 MILLION MT. EARLIER ESTIMATES WERE 4.8 MILLION MT (ALL FIGURES BROWN BASIS). PER CAPITA CONSUMPTION OF RICE FOR DIRECT FOOD USE DROPPED TO 83 KILOS IN 1977 FROM 86.2 KILOS IN 1976 OR ABOUT 361 MILLION MT. UTILIZATION WAS ALSO LOWER FOR RICE CRACKERS AND SAKE AS COMPETITION FROM IMPORTS AND DOMESTICALLY PRODUCED SUBSTITUTES INCREASED.

4. FA'S PRELIMINARY CALCULATIONS ARE THAT THEY WOULD HAVE TO SPEND 1 TRILLION YEN (\$4.7 BILLION AT \$1.00 211.10 YEN) OVER THREE YEARS TO DIVERT 3.3 MILLION MT INTO FOOD DONATIONS AND FEED AND INDUSTRIAL USES AND REDUCE CARRYOVER STOCKS TO NORMAL OF 2 MILLION MT. OF TOTAL 5.3 MILLION MT STOCKS, 3.4 MILLION MT WILL BE ONE YEAR OLD AND 1.9 MILLION MT TWO YEARS OR MORE OLD. DISTRIBUTION OF SURPLUS WOULD BE ROUGHLY 50 PERCENT (1.65 MILLION MT) FOR FEED, 40 PERCENT (1.32 MILLION MT) FOR DONATION AND 10 PERCENT (330,000 MT) FOR INDUSTRIAL USE, INCLUDING PROCESSED PRODUCTS.

5. SAWABE NOTED THAT THE LOSS IN 1978 ALONE ON THE FOOD CONTROL ACCOUNT BECAUSE OF THE DIFFERENCE BETWEEN CONSUMER AND PRODUCER RICE PRICES WILL BE 715 BILLION YEN (\$3.9 BILLION). HE ESTIMATED THAT THE CURRENT PRODUCER PRICE INCLUDING ADMINISTRATIVE COSTS IS 350,000 YEN PER UNCLASSIFIED

UNCLASSIFIED

PAGE 03 TOKYO 11311 210942Z

MT (\$1,658). RICE WOULD SELL FOR FEED USE AT ABOUT 26,000 YEN (\$123) AND FOR INDUSTRIAL USE AT 120,000 YEN (\$568).

6. MAF SOURCES ADVISE MAINICHI SHIMBUN REPORT OF COUNCIL DISCUSSION WAS MOST ACCURATE. MAINICHI SAID TOTAL OF 2 TRILLION YEN WOULD BE REQUIRED AND THAT WHOLE 5.3 MILLION MT WOULD BE DISPOSED OF. 1.5 TRILLION YEN WOULD BE DIFFERENCE IN PRODUCER AND ACTUAL SALES PRICES AND 500 BILLION YEN FOR INTEREST (AND PERHAPS OTHER COSTS). SINCE DISPOSAL PROGRAM RUNS OVER THREE YEARS AND THERE IS NO ASSURANCE THAT SET ASIDE WILL PREVENT SURPLUSES IN FUTURE YEARS, THESE FIGURES MAY BE MORE ACCURATE. (ONE TRILLION YEN FIGURE FOR 3.3 MILLION MT WAS DERIVED BY MULTIPLYING 300,000 YEN PER MT ESTIMATED COST OF DIVERSION TIMES 3.3 MILLION.)

7. COMMENT: AS SAWABE NOTED, ALL FIGURES ARE PRELIMINARY AND WE HAVE NOT CROSS CHECKED THEM. FULL REPORT WILL BE SUBMITTED TO USDA/FAS/GRAIN AND FEED WHEN SITUATION CLARIFIED. PRELIMINARY REACTION IS THAT PLAN MAY HAVE SERIOUS IMPLICATIONS FOR U.S. FEEDGRAIN EXPORTS AS

PREVIOUS SPECIAL DISPOSAL DID IN 1971 AND MAY ADVERSELY
AFFECT PL 480 RICE SALES IN THIRD COUNTRIES.MANSFIELD

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